

**Charter School Facilities Program
Proposition 51 Funding Round
Staff Summary Report – February 2018**

Applicant/Obligor:	Old Adobe Union School District
Project School:	Old Adobe Elementary Charter
CDS (County – District – School) Code:	49-70847-6051924
School Address/Proposed Site:	2856 Adobe Road, Petaluma 94954
Type of Project:	New Construction
Type of Apportionment:	Preliminary
County:	Sonoma
District in which Project is Located:	Old Adobe Union School District
Charter Authorizer:	Old Adobe Union School District
Total OPSC Project Cost:*	\$662,300
State Apportionment (50% Project Cost):	\$331,150
Lump Sum Contribution:	\$331,150
Total CSFP Financed Amount:	N/A
Length of CSFP Funding Agreement:	N/A
Assumed Interest Rate:	N/A
Estimated Annual CSFP Payment:	N/A
First Year of Occupancy of New Project:	2017-18

**The amount identified as total project costs represents an estimate provided by the Office of Public School Construction for purposes of Preliminary-Apportionment financial soundness review. Final project costs will be provided at the time of Final Apportionment.*

Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that Old Adobe Union School District, on behalf of Old Adobe Elementary Charter, is financially sound for purposes of the Charter School Facilities Program (“Program” or “CSFP”) Preliminary/Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon Old Adobe Union School District, on behalf of Old Adobe Elementary Charter, paying a lump sum amount of \$331,150. This recommendation is contingent upon Old Adobe Union School District, on behalf of Old Adobe Elementary Charter, electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code, if applicable. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.

Application Highlights: Below staff has highlighted key criteria that were evaluated when conducting its financial soundness review of Old Adobe Union School District on behalf of Old Adobe Elementary Charter. Detailed information is contained in the body of the report.

Criteria	Comments
Obligor Information	
Demographic Information	<ol style="list-style-type: none"> 1. Old Adobe Union School District is comprised of the following mix of races/ethnicities: 45.8% Caucasian; 42.8% Hispanic or Latino; 4% Two or More Races; 3.2% Asian; 1.3% African American; 1.2% None Reported; Filipino 0.8%; Pacific Island 0.5%; and 0.4% American Indian. 2. In 2016-17, Old Adobe School District had a total enrollment of 1992 students in grades K - 6 (the ADA rate was 84.5%).
Debt Service Coverage	The district is providing its matching share through General Obligation (GO) bond proceeds.
Other Financial Factors	<ul style="list-style-type: none"> • Old Adobe USD’s building fund (which receives GO bond proceeds) had a balance of \$2,794,891 at the end of FY 2016-17. • The District has already completed and funded the project.
School Information	
Eligibility Criteria	Old Adobe Elementary Charter has met all eligibility criteria: (1) Old Adobe Elementary Charter began operation in 2012; (2) Old Adobe Elementary Charter’s most recent charter was approved on July 1, 2017 and is in place through June 30, 2022; (3) Old Adobe Elementary Charter is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	Old Adobe Elementary Charter has performed better than its comparable local schools and the district in English Language Arts and Mathematics.

Program Eligibility: On January 19, 2018, at CSFA staff’s request, verification was received from Old Adobe Union School District confirming that Old Adobe Elementary Charter (1) has been in operation for more than 2 years and meets the requirement of having key personnel with experience operating and/or managing a California charter school for at least two years, (2) in compliance with the terms of its charter agreements, and (3) in good standing with its chartering authority. Old Adobe Elementary Charter’s current charter is effective through June 2022.

Legal Status Questionnaire: Staff reviewed the applicant’s responses to the questions contained in the Legal Status portion of the application. No information was disclosed that would lead staff to question the financial or legal integrity of this applicant.

Project Description: Old Adobe USD, on behalf of Old Adobe Elementary Charter, is applying for new construction costs for the 2856 Adobe Road address. The applicant is

requesting \$707,729.48 for 2 portable classrooms to serve students in grades K-6. The project was completed in the summer of 2017 and occupied at the beginning of the 2017-18 school year.

Obligor Organizational Information: Old Adobe Union School District is a school district located in Sonoma County that operates and/or authorizes 5 schools: La Tercera Elementary School; Loma Vista Immersion Academy Charter School; Miwok Valley Language Academy Elementary Charter School; Old Adobe Elementary Charter School; and Sonoma Mountain Elementary Charter School.

Old Adobe Union School District is comprised of the following mix of races/ethnicities: 45.8% Caucasian; 42.8% Hispanic or Latino; 4% Two or More Races; 3.2% Asian; 1.3% African American; 1.2% None Reported; Filipino 0.8%; Pacific Island 0.5%; and 0.4% American Indian.

The 2017-18 District board members consist of President Anthony Bendik, Vice President Michael Fung, Clerk Jonathan Lenz, Heather Burton, and Patsy Knight. The superintendent is Craig Conte. Staff has reviewed the credentials of the key board members and staff and determined them to have the proper background and experience to govern and effectively oversee the operations of Old Adobe Elementary Charter.

School Organizational Information: Old Adobe Elementary Charter is a public charter school located within the boundaries of Old Adobe Union School District. Old Adobe Elementary Charter's initial charter was submitted to and approved by Old Adobe Union School District in 2012. Old Adobe Elementary Charter's most recent charter was approved by Old Adobe Union School District on July 1, 2017 with the charter set to expire on June 30, 2022. The school is run and operated by the District and consequently while Old Adobe Union School District is a California public benefit corporation with IRS approved 501(c)(3) status, it is not for the purposes of this program.

The vision of Old Adobe Elementary Charter School is to provide an educational experience that creates knowledgeable, caring, and responsible young people. The curriculum at Old Adobe is well-rounded and arts infused. The school also looks to establish students who value responsible treatment of the environment and act on that value. Old Adobe Elementary Charter produces students who can express themselves in a myriad of ways. Students use dance, drama, visual arts, theater, writing, technology and other means to demonstrate their learning and express their creativity. Students know how to be leaders in learning situations, treat those around them with respect, resolve conflict, and become part of their community. Old Adobe Elementary Charter instills in their students core curriculum as well as fostering pupil creativity and responsibility.

Old Adobe Elementary Charter offers both core and unique learning opportunities for their student body, these opportunities ensure that: Students will know how to access, employ and contextualize information via the use of electronic equipment/technology; students will appreciate and use various art forms to express their learning; students will participate in a well-articulated physical fitness program that will serve them throughout their lives; students

will participate in visual and performing arts opportunities both as a participant and a spectator to broaden student’s artistic awareness; students will be given the opportunity to develop strong citizenship and leadership, and the ability to collaborate and work effectively with others; all students will learn using the school garden; and all students will participate in field trips and other experiences that are aligned with our school charter.

Old Adobe has an arts and ecology charter, but underlying and utilized throughout each of the core curriculum areas are additional skills such as; critical thinking, technology, creative expression, knowledge of pertinent issues of health, and the development of physical fitness. Students will be given ample opportunity to express their own academic ideas and support their observations with evidence as they build their critical thinking abilities. Strategies leading to more rigor and higher levels of student engagement will be researched, learned, and implemented in the classroom. These strategies include, but are not limited to; Visual Thinking Strategies and Explicit Direct Instruction.

Old Adobe Elementary Charter School uses multiple measures to assess student progress. These include but are not limited to; standardized tests, district benchmarks, curriculum embedded assessments, teacher assessments, DIBELS and SRI reading scores, and performance assessments.

The Principal at Old Adobe Elementary Charter School is Jeff Williamson. Mr. Williamson taught for 10 years in the King City Union School District, and spent another 5 in the Fairfield-Suisun School District. He has spent over a decade as principal of Old Adobe. He has a Masters in Education from Chapman University.

Old Adobe Elementary Charter School shares their board with the District. As mentioned above the 2017-18 District Board consists of members; President Anthony Bendik; Vice President Michael Fung; Clerk Jonathan Lenz; Heather Burton; and Patsy Knight. The superintendent is Craig Conte. Staff has reviewed the credentials of the key board members and staff and determined them to have the proper background and experience to govern and effectively oversee the operations of Old Adobe Union School District.

School Academic Performance: The following tables represent the 2014-15, 2015-16, and 2016-17 academic performance of Old Adobe Elementary, two similar local elementary public schools La Tercera Elementary and McDowell Elementary (Local Schools), and Old Adobe Union School District (District). The results are provided through CDE’s CAASPP Smarter Balanced testing data.

English Language Arts – Comparison

	Years		
	2014-15	2015-16	2016-17
Old Adobe ES	57%	68%	65%
Local Schools	31%	30%	27%
District	45%	50%	48%

	All Students Performance			Student Groups w/ Below Avg. Performance		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
Old Adobe ES	N/A	High	High	N/A	0/3	0/3
Local Schools	N/A	Average; Lowest;	Low; Low;	N/A	0/5; 3/3;	4/5; 3/3;
District	N/A	Average	Low	N/A	0/5	4/5

Mathematics– Comparison

	Years		
	2014-15	2015-16	2016-17
Old Adobe ES	41%	51%	53%
Local Schools	14%	21%	29%
District	31%	36%	43%

	All Students Performance			Student Groups w/ Below Avg. Performance		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
Old Adobe ES	N/A	Highest	High	N/A	0/3	2/3
Local Schools	N/A	Average; Low;	Average; Average;	N/A	0/5; 3/3;	2/5; 0/3;
District	N/A	Average	Average	N/A	0/5	2/5

Enrollment Trends and Projections: The tables below present enrollment information for Old Adobe USD and Old Adobe Elementary from 2014-15 through 2019-20. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

District-wide Student Enrollment and Average Daily Attendance

<u>OAUSD</u>	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Enrollment	1,886	1,935	1,992	1,992	1,992	1,992
ADA	87.8%	84.8%	84.5%	85%	85%	85%

School Student Enrollment and Average Daily Attendance

<u>Old Adobe ES</u>	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Enrollment	304	292	319	369	369	369
ADA	96.7%	95.14	94.6%	95.0%	95.0%	95.0%

District Financial Analysis:

Financial Data Sources: Given that Old Adobe USD has already built and funded the project at Old Adobe Charter ES out of local bond funds, this financial analysis is based solely on the consideration and review of the following for Old Adobe Union School District: (1) audited financial statements for 2014-15 through 2016-17. Please note that staff's analysis of Old Adobe USD's financial performance, including the evaluation operating budget and liquidity, is based on the General Fund only.

Assumptions: Old Adobe USD's financial analysis is based upon the following assumptions: (1) occupancy of the rehabilitation beginning in 2017-18; (2) District-wide enrollment projections as provided above under "Enrollment Trends and Projections"; (3) Projected District-wide ADA rates of 85%, which are consistent with historical performance; and (4) Average Local Control Funding Formula (LCFF) per-ADA funding rate of \$13,863 from 2014-15 through 2016-17.

Long Term Liabilities: As provided by the 2016-17 audited financial statements, Old Adobe USD has a total of \$48,393,377 in long-term liabilities. The long-term liabilities are from the following: \$136,443 in compensated absences, \$17,745,000 in current interest on GO bonds, \$8,527,709 in capital appreciation on GO bonds, \$345,669 in bond premium, \$3,500,000 in bond appreciation notes, \$343,060 in "other" post-employment benefits, and \$17,795,496 in net person liabilities. Only \$1,691,578 is due within one year. The following is a breakdown of the amount due within one year: \$136,443 in compensated absences, \$415,000 in current interest on GO bonds, \$1,075,000 in capital appreciation on GO bonds, and \$65,135 in bond premium.

Private Contributions: Old Adobe USD does not rely on any private contributions.

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff's analysis regarding Old Adobe's financial soundness. Where a threshold has been established based on industry standards or practice, the listing indicates whether or not the threshold was met.

OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE METRICS			
	<i>Actual</i> FY 2015	<i>Actual</i> FY 2016	<i>Actual</i> FY 2017
OPERATIONAL & FINANCIAL			Audited Draft
Enrollment	1,886	1,935	1,992
Average Daily Attendance (ADA)	1,655	1,640	1,682
Average Daily Attendance (%)	87.8%	84.8%	84.5%
LCFF Sources/ADA	\$ 9,123	\$ 9,851	\$ 9,998
% Change		8.0%	1.5%
Operating Revenues/ADA	\$ 12,754	\$ 14,362	\$ 14,474
% Change		12.6%	0.8%
	<i>Actual</i> FY 2015	<i>Actual</i> FY 2016	<i>Actual</i> FY 2017
DEBT SERVICE COVERAGE			
Total Operating Revenues	\$ 21,107,232	\$ 23,553,294	\$ 24,348,712
Total Operating Expenses	20,197,884	22,361,892	28,917,497
Total Other Sources/Uses	-	-	(33,015)
Net Income Available for CSFP Lease Payment	909,348	1,191,402	(4,601,800)
Add Back Capital Outlay	-	-	-
Add Back Depreciation	-	-	-
Adjusted Net Income Available for CSFP Lease Pymt.	909,348	1,191,402	(4,601,800)
LIQUIDITY			
Current Assets	\$ 10,834,412	\$ 21,804,733	\$ 15,017,895
Current Liabilities	3,036,067	6,036,350	3,869,849
Net Working Capital	\$ 7,798,345	\$ 15,768,383	\$ 11,148,046
Net Working Capital/Oper. Expenses	38.6%	70.5%	38.6%
Unrestricted Cash & Cash Equivalents	\$ 10,212,083	\$ 21,027,323	\$ 14,231,359
Unrest. Cash & CE/Oper. Expenses (Days)	185	343	180

Benchmark Summary:

- Net Working Capital as Portion of Operating Expenses – Met: 49.2% (>5%)

Strengths, Weaknesses and Mitigants:

- + Old Adobe USD’s rating of “Aa2” on their 1995 GO bonds was affirmed by Moody’s in January 2018.

- + Old Adobe USD's General Fund balance, as of June 30, 2017, was \$7,773,809 with \$6,991,110 in unrestricted funds.
- + Old Adobe USD has confirmed the matching share will be through a lump sum payment from a designated building fund, which as of June 30, 2017, had a balance of \$2,794,891.
- + Old Adobe USD has already built and funded the project at Old Adobe Charter Elementary out of local bond funds; project was occupied in Fall 2017.

Staff Recommendation: Staff recommends that the California School Finance Authority ("Authority" or "CSFA") Board determine that Old Adobe Union School District, on behalf of Old Adobe Elementary Charter, is financially sound for purposes of the Charter School Facilities Program ("Program" or "CSFP") Preliminary/Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon Old Adobe Union School District, on behalf of Old Adobe Elementary Charter, paying a lump sum amount of \$353,864.74. This recommendation is contingent upon Old Adobe Union School District, on behalf of Old Adobe Elementary Charter, electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code, if applicable. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction ("OPSC") and the State Allocation Board regarding this determination.